

TOWN OF JERICHO, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2011

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TOWN OF JERICHO, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS

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INTERNAL CONTROL AND COMPLIANCE REPORT

Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

30 - 31

FOTHERGILL SEGALE & VALLEY

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INDEPENDENT AUDITOR'S REPORT

December 14, 2011

Selectboard Members
Town of Jericho
Jericho, VT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Jericho, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

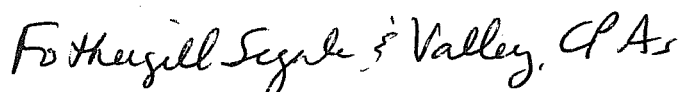
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2011, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

A handwritten signature in cursive script that reads "Fothergill Segale & Valley, CPAs".

FOTHERGILL SEGALE & VALLEY, CPAs
Vermont Public Accountancy License #110

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

Our discussion and analysis of the Town of Jericho, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the Town's financial statements that begin with Exhibit A. This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives.

Financial Highlights

- The Town's net assets (total assets less total liabilities) increased by \$760,811, or approximately 15% as a result of this year's operations, from \$4,952,157 to \$5,712,968.
- The total cost of all of the Town's programs was \$2,540,787, as compared to \$2,395,255 in the prior year, with no new programs added.
- The General Fund reported an increase in fund balance this year of \$123,576 which was \$123,576 better than the balanced budget.
- The Road Upgrade Fund reported a current year decrease in fund balance of \$45,540, decreasing the fund balance from \$249,016 to \$203,476.
- The Non-Major Funds reported a current year increase in fund balance of \$62,140, increasing the total fund balances from \$521,155 to \$583,295.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits A and B) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start with Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets (net of depreciation) and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. You can think of the Town's net assets – the difference between assets and liabilities – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

All of the Town's basic services are governmental activities, including the general administration. Property taxes, state and federal grants finance most of these activities.

Reporting the Town's Most Significant Funds

The fund financial statements begin with Exhibit C and provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town's Selectboard establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. Major funds in the Town fund statements are the General Fund, which contains most of the Town operations and the Road Upgrade Fund which accounts for funds as so stated in the title. There is one category for these funds, as follows:

Governmental fund

The Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in Exhibits D and F.

The Town as a Whole

The Town's combined net assets increased by \$760,811 from a year ago – increasing from \$4,952,157 to \$5,712,968. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental activities. The restricted and unrestricted net assets for FY10 have been restated based on the new definitions under GASB 54. For more information, please see Note 1 of the financial statements.

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

Table 1 – Net Assets

	2011	2010 (Restated)	Change
Current and other assets	\$ 1,411,495	\$ 1,326,978	\$ 84,517
Capital assets	5,764,503	5,276,257	488,246
Total assets	<u>7,175,998</u>	<u>6,603,235</u>	<u>572,763</u>
Long-term debt outstanding	1,286,878	1,423,229	(136,351)
Other liabilities	176,152	227,849	(51,697)
Total liabilities	<u>1,463,030</u>	<u>1,651,078</u>	<u>(188,048)</u>
Net assets:			
Invested in capital assets, net of debt	4,498,428	3,877,624	620,804
Restricted	319,846	273,369	46,477
Unrestricted	894,694	801,164	93,530
Total net assets	<u>\$ 5,712,968</u>	<u>\$ 4,952,157</u>	<u>\$ 760,811</u>

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from \$801,164 at June 30, 2010 to \$894,694 at June 30, 2011, an increase of \$93,530. The largest change is the increase in capital assets and invested in capital assets, due to various streetscape grant projects.

Table 2 - Change in Net Assets

	2011	2010	Change
REVENUES			
Program revenues:			
Charges for services	\$ 233,171	\$ 254,481	\$ (21,310)
Operating grants and contributions	232,987	442,299	(209,312)
Capital grants and contributions	333,658	396,075	(62,417)
General revenues:			
Property taxes, related int. & pen.	2,465,296	2,441,328	23,968
General state grants	28,543	27,552	991
Earnings on investments	17,349	8,376	8,973
Other general revenues	2,698	2,720	(22)
Total revenues	<u>3,313,702</u>	<u>3,572,831</u>	<u>(259,129)</u>
PROGRAM EXPENSES			
General government and administration	848,085	821,926	26,159
Highways and streets repairs and maint.	1,021,510	911,753	109,757
Cultural and recreation	117,278	88,460	28,818
Outside agencies	499,429	513,705	(14,276)
Interest on long-term debt	54,485	59,411	(4,926)
Total program expenses	<u>2,540,787</u>	<u>2,395,255</u>	<u>145,532</u>
EXTRAORDINARY ITEM, net	<u>(12,104)</u>	<u>0</u>	<u>(12,104)</u>
Increase in net assets	<u>\$ 760,811</u>	<u>\$ 1,177,576</u>	<u>\$ (416,765)</u>

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

Governmental Activities

The increase in net assets for governmental activities was \$760,811 in 2011.

The cost of all governmental activities this year was \$2,540,787. However, as shown in the Statement of Activities on Exhibit B, some of the cost was paid by those who directly benefited from the programs (\$233,171) or by other governments and organizations that subsidized certain programs with grants and contributions (\$566,645).

Table 3 presents the cost of each of the Town's programs – as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Table 3
Governmental Activities

	Total Cost of Services 2011	Net (Revenue)/ Cost of Services 2011	Total Cost of Services 2010	Net (Revenue)/ Cost of Services 2010
General government	\$ 848,085	\$ 646,022	\$ 821,926	\$ 650,279
Highways and streets	1,021,510	498,058	911,753	63,386
Cultural and recreational	117,278	42,977	88,460	15,619
Outside agencies	499,429	499,429	513,705	513,705
Debt interest	54,485	54,485	59,411	59,411
Totals	<u>\$ 2,540,787</u>	<u>\$ 1,740,971</u>	<u>\$ 2,395,255</u>	<u>\$ 1,302,400</u>

The Town's Funds

As the Town completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$1,170,286, which is above last year's total of \$1,030,110. This represents an increase of \$140,176.

Over the course of the year, the Selectboard members compare year-to-date actual amounts of revenues and expenditures to the budget. No adjustments to the budget were made during the year. The General Fund ended the year with a fund balance of \$383,515. During fiscal year 2011, revenues were greater than expenditures by \$123,576, which was \$123,576 better than the balanced budget. Exhibit G shows the comparison of actual to budget for the General Fund.

The largest variances between budgeted amounts and actual amounts for expenditures occurred within the following categories: Town Treasurer, Selectboard; Highways and Bridges; various Capital outlays; and the Extraordinary item (flooding in April 2011).

The variance within the Treasurer category is due to fewer hours worked in the Financial Coordinator position than were budgeted. The variance in the Selectboard category is due mainly to less work. The variance in the Highways and Bridges category is due to management's decision to curb expenses after excessive snowfall in the winter. The variances in capital outlays is due to less work remaining on the Streetscape and Safe Routes to Schools projects than anticipated for the fiscal year. In addition, the Town received a grant for energy improvements to the Town Library which was not budgeted and the Town purchased a highway truck with highway funds that were carried over from the previous fiscal year. The extraordinary item is due to over-expenditures in overtime and materials due to the April 2011 rainstorm.

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

Capital Assets and Debt Administration

Capital Assets

At June 30, 2011, the Town had \$5,764,503 invested in a broad range of capital assets, including highway and fire equipment, and buildings. (See Table 4 below) This amount represents a net increase (including additions and deductions) of \$488,246 over last year.

Table 4
Capital Assets at Year-End
(Net of Accumulated Depreciation)

	2011	2010	Change
Land	\$ 42,521	\$ 42,521	\$ 0
Construction in progress	38,741	663,914	(625,173)
Buildings and improvements	1,277,202	1,314,302	(37,100)
Vehicles and equipment	563,460	640,396	(76,936)
Infrastructure	3,842,579	2,615,124	1,227,455
Totals	<u>\$5,764,503</u>	<u>\$5,276,257</u>	<u>\$ 488,246</u>

This year's additions were:

Streetscape project	\$ 398,668
Safe routes to school project	38,148
Various other sidewalk projects	19,399
Building improvements	22,095
Highway equipment	43,738
Police equipment	13,788
Paving	291,125
	<u>\$ 826,961</u>

The Town's fiscal year 2011-12 capital budget calls for the Town to spend a total of \$740,159 on the following projects: \$175,000 for bridge improvements; \$225,000 for paving; \$100,000 for gravel road reconstruction; \$93,989 on sidewalks; \$90,500 on highway vehicles; and \$55,670 on building improvements.

Debt Administration

At June 30, 2011, the Town had \$1,266,075 in bonds and leases outstanding versus \$1,398,633 on June 30, 2010 – a decrease of \$132,558 – as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	2011	2010	Change
People's United Bank	\$1,080,000	\$1,140,000	\$ (60,000)
Kansas State Bank	85,734	111,440	(25,706)
Kansas State Bank	100,341	147,193	(46,852)
Totals	<u>\$1,266,075</u>	<u>\$1,398,633</u>	<u>\$ (132,558)</u>

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

Economic Factors and Next Year's Budgets and Rates

For the 2011-2012 fiscal year, the municipal property tax rate for the Town General Fund increased by \$0.0065 or 1.4% to \$0.4579.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at Town of Jericho, Jericho, Vermont.

TOWN OF JERICHO, VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT A

	<u>Governmental Activities</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,123,697	
Delinquent taxes, penalties and interest receivable net of \$20,000 allowance	109,352	
Due from State of VT	108,943	
Accounts receivable	65,010	
Prepaid expenses	<u>4,493</u>	
Total current assets		1,411,495
Noncurrent assets:		
Capital assets:		
Land	42,521	
Construction in progress	38,741	
Property and equipment (net of allowance for accumulated depreciation of \$1,332,483)	<u>5,683,241</u>	
Total noncurrent assets		<u>5,764,503</u>
Total assets		<u>7,175,998</u>
LIABILITIES		
Current liabilities:		
Accounts payable	112,292	
Due to taxpayers	1,000	
Accrued interest payable	11,943	
Deferred revenue	<u>50,917</u>	
Total current liabilities		176,152
Noncurrent liabilities:		
Accrued compensated absences due after one year	20,803	
Bond and capital leases payable -		
Due within one year	136,100	
Due after one year	<u>1,129,975</u>	
Total noncurrent liabilities		<u>1,286,878</u>
Total liabilities		<u>1,463,030</u>
NET ASSETS		
Unrestricted	894,694	
Restricted	319,846	
Invested in capital assets, net of related debt	<u>4,498,428</u>	
Total net assets		<u>\$ 5,712,968</u>

TOWN OF JERICHO, VERMONT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

EXHIBIT B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenues and Change in Net Assets</u>
Governmental Activities:					
General government and administration	\$ 848,085	\$ 128,109	\$ 73,954	\$ 0	\$ (646,022)
Highways and streets	1,021,510	33,656	156,138	333,658	(498,058)
Cultural and recreational	117,278	71,406	2,895	0	(42,977)
Outside agencies	499,429	0	0	0	(499,429)
Interest on long-term debt	54,485	0	0	0	(54,485)
Total governmental activities	<u>\$ 2,540,787</u>	<u>\$ 233,171</u>	<u>\$ 232,987</u>	<u>\$ 333,658</u>	<u>(1,740,971)</u>
General Revenues:					
Property taxes					2,433,544
Interest and penalties on delinquent taxes					31,752
General state grants (current use)					28,543
Earnings on investments					17,349
Miscellaneous					2,698
Total general revenues					<u>2,513,886</u>
EXTRAORDINARY ITEM					
FEMA grant					108,943
Flood-related expenses					(121,047)
Total extraordinary item					<u>(12,104)</u>
Change in net assets					760,811
Net assets - July 1, 2010					<u>4,952,157</u>
Net assets - June 30, 2011					<u>\$ 5,712,968</u>

See Notes to Financial Statements.

TOWN OF JERICHO, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

EXHIBIT C

	Major Funds		Non-Major Funds	
	General	Road	Other	
	Fund	Upgrade	Governmental	
		Fund	Funds	Totals
ASSETS				
Cash and cash equivalents	\$ 423,599	\$ 203,476	\$ 496,622	\$ 1,123,697
Delinquent taxes, penalties and interest net of \$20,000 allowance	109,352	0	0	109,352
Due from State of VT-FEMA	108,943	0	0	108,943
Accounts receivable	65,010	0	0	65,010
Prepaid expenses	4,493	0	0	4,493
Due from other funds	0	0	86,673	86,673
Total assets	<u>\$ 711,397</u>	<u>\$ 203,476</u>	<u>\$ 583,295</u>	<u>\$ 1,498,168</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 112,292	\$ 0	\$ 0	\$ 112,292
Due to taxpayers	1,000	0	0	1,000
Due to other funds	86,673	0	0	86,673
Deferred revenue - other	882	0	0	882
Deferred revenue - taxes	77,000	0	0	77,000
Deferred revenue - recreation	50,035	0	0	50,035
Total liabilities	<u>327,882</u>	<u>0</u>	<u>0</u>	<u>327,882</u>
FUND BALANCES				
Nonspendable, prepaid	4,493	0	0	4,493
Restricted	0	0	319,846	319,846
Assigned - capital projects	0	203,476	263,449	466,925
Unassigned	379,022	0	0	379,022
Total fund balances	<u>383,515</u>	<u>203,476</u>	<u>583,295</u>	<u>1,170,286</u>
Total liabilities and fund balances	<u>\$ 711,397</u>	<u>\$ 203,476</u>	<u>\$ 583,295</u>	<u>\$ 1,498,168</u>

TOWN OF JERICHO, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT D

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,170,286

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported as
assets in governmental funds. The cost of the assets is
\$7,096,986 and the accumulated depreciation is \$1,332,483. 5,764,503

Deferred tax revenues are recognized as earned on the accrual basis
in the statement of net assets, not the modified accrual basis. 77,000

Long-term liabilities, including bonds and notes payable, are not
due and payable in the current period and therefore are not
reported as liabilities in the funds. Long-term liabilities at
year end consist of:

Bonds and notes payable	1,140,000	
Capital lease payable	126,075	
Accrued interest on bonds and notes payable	11,943	
Accrued compensated absences	20,803	(1,298,821)
	<u>20,803</u>	<u>(1,298,821)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 5,712,968

TOWN OF JERICHO, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

EXHIBIT E

	Major Funds		Non-Major Funds	
	General	Road	Other	
	Fund	Upgrade	Governmental	Totals
	Fund	Fund	Funds	
REVENUES				
Property taxes	\$ 2,472,078	\$ 0	\$ 0	\$ 2,472,078
Current use	28,543	0	0	28,543
Fees and licenses	174,060	0	0	174,060
Intergovernmental	539,601	0	0	539,601
Charges for services	41,950	0	5,596	47,546
Interest income	13,118	1,280	2,951	17,349
Miscellaneous	41,307	0	0	41,307
Total revenues	<u>3,310,657</u>	<u>1,280</u>	<u>8,547</u>	<u>3,320,484</u>
EXPENDITURES				
Current				
General government	714,349	0	0	714,349
Public safety	75,501	0	0	75,501
Highways and streets	756,864	0	0	756,864
Health services	2,833	0	0	2,833
Cultural and recreational	117,278	0	0	117,278
Outside agencies	499,429	0	0	499,429
Debt service				
Interest	57,305	0	0	57,305
Principal	132,558	0	0	132,558
Capital outlay	812,087	0	0	812,087
Total expenditures	<u>3,168,204</u>	<u>0</u>	<u>0</u>	<u>3,168,204</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>142,453</u>	<u>1,280</u>	<u>8,547</u>	<u>152,280</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	79,900	0	86,673	166,573
Operating transfers out	(86,673)	(46,820)	(33,080)	(166,573)
Total other financing sources (uses)	<u>(6,773)</u>	<u>(46,820)</u>	<u>53,593</u>	<u>0</u>
EXTRAORDINARY ITEM				
FEMA and state reimbursement	108,943	0	0	108,943
Flood-related expenses	(121,047)	0	0	(121,047)
Total extraordinary item	<u>(12,104)</u>	<u>0</u>	<u>0</u>	<u>(12,104)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>123,576</u>	<u>(45,540)</u>	<u>62,140</u>	<u>140,176</u>
FUND BALANCES - JULY 1, 2010	<u>259,939</u>	<u>249,016</u>	<u>521,155</u>	<u>1,030,110</u>
FUND BALANCES - JUNE 30, 2011	<u>\$ 383,515</u>	<u>\$ 203,476</u>	<u>\$ 583,295</u>	<u>\$ 1,170,286</u>

TOWN OF JERICHO, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

EXHIBIT F

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	140,176
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$812,087) exceeds depreciation expense (\$323,841) in the period.		488,246
---	--	---------

Repayment of bond and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		132,558
--	--	---------

Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis. The deferred property taxes decreased.		(6,782)
--	--	---------

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The decreased interest reported in the governmental activities is because accrued interest on bonds and notes payable decreased.		2,820
--	--	-------

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Accrued compensated absences decreased during the year.		<div style="border-top: 1px solid black; display: inline-block;">3,793</div>
--	--	--

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<div style="border-top: 3px double black; display: inline-block;">760,811</div>
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TOWN OF JERICHO, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2011

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 2,424,793	\$ 2,440,326	\$ 15,533
Penalties and interest	18,500	31,752	13,252
Current use program	23,000	28,543	5,543
Fees and licenses	151,850	174,060	22,210
Intergovernmental	149,000	220,923	71,923
Interest income	10,000	13,118	3,118
Streetscape grant	542,832	295,271	(247,561)
Safe Routes to School grant	126,179	23,407	(102,772)
General Dynamics	18,000	28,660	10,660
Town library reimbursement	13,000	13,290	290
Miscellaneous	17,000	41,307	24,307
Total revenues	<u>3,494,154</u>	<u>3,310,657</u>	<u>(183,497)</u>
EXPENDITURES			
Current			
Town treasurer	56,250	36,574	19,676
Selectboard	199,025	178,683	20,342
Town clerk	103,423	88,970	14,453
Listing	41,050	40,714	336
Health services	3,850	2,833	1,017
Planning and zoning	57,353	66,909	(9,556)
Highways and bridges	814,600	756,864	57,736
Summer recreation program	71,930	68,957	2,973
Employee expenses and benefits	185,100	171,792	13,308
Police and safety	83,507	75,501	8,006
Buildings and property	117,840	126,107	(8,267)
Conservation commission	1,700	195	1,505
Open space	15,820	15,804	16
Landfill	5,600	4,600	1,000
Town library	32,755	32,322	433
Outside agencies	499,767	499,429	338
Capital outlay - highway equipment	0	28,864	(28,864)
Capital outlay - highway infrastructure	270,000	291,125	(21,125)
Capital outlay - streetscape	572,832	398,668	174,164
Capital outlay - safe routes to schools	182,000	38,148	143,852
Capital outlay - buildings and improvements	0	22,095	(22,095)
Capital outlay - police equipment	0	13,788	(13,788)
Capital outlay - sidewalks	0	19,399	(19,399)
Debt service			
Interest	62,455	57,305	5,150
Principal	152,000	132,558	19,442
Total expenditures	<u>3,528,857</u>	<u>3,168,204</u>	<u>360,653</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(34,703)</u>	<u>142,453</u>	<u>177,156</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	137,203	79,900	(57,303)
Operating transfers out	(102,500)	(86,673)	15,827
Total other financing sources (uses)	<u>34,703</u>	<u>(6,773)</u>	<u>(41,476)</u>
EXTRAORDINARY ITEM			
FEMA and state reimbursement	0	108,943	108,943
Flood-related expenses	0	(121,047)	(121,047)
Total extraordinary item	<u>0</u>	<u>(12,104)</u>	<u>(12,104)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 0</u>	<u>123,576</u>	<u>\$ 123,576</u>
FUND BALANCE - JULY 1, 2010		<u>259,939</u>	
FUND BALANCE - JUNE 30, 2011		<u>\$ 383,515</u>	

TOWN OF JERICHO, VERMONT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS

EXHIBIT H

JUNE 30, 2011

	<u>WCP Escrow Fund</u>	<u>Fire Department Fund</u>	<u>School Impact Fund</u>	<u>ID SD Impact Fund</u>	<u>Total</u>
ASSETS					
Cash	<u>\$ 6,826</u>	<u>\$ 10,004</u>	<u>\$ 90,676</u>	<u>\$ 2,287</u>	<u>\$ 109,793</u>
Total assets	<u>6,826</u>	<u>10,004</u>	<u>90,676</u>	<u>2,287</u>	<u>109,793</u>
NET ASSETS					
Held in trust for other purposes	<u><u>\$ 6,826</u></u>	<u><u>\$ 10,004</u></u>	<u><u>\$ 90,676</u></u>	<u><u>\$ 2,287</u></u>	<u><u>\$ 109,793</u></u>

STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2011

	WCP Escrow Fund	Fire Department Fund	School Impact Fund	ID SD Impact Fund	Total
ADDITIONS					
Interest and dividends	\$ 46	\$ 0	\$ 756	\$ 19	\$ 821
Charges for services	<u>0</u>	<u>0</u>	<u>6,112</u>	<u>0</u>	<u>6,112</u>
Total additions	<u>46</u>	<u>0</u>	<u>6,868</u>	<u>19</u>	<u>6,933</u>
DEDUCTIONS					
Payment to school	<u>0</u>	<u>0</u>	<u>46,750</u>	<u>980</u>	<u>47,730</u>
Total deductions	<u>0</u>	<u>0</u>	<u>46,750</u>	<u>980</u>	<u>47,730</u>
CHANGE IN NET ASSETS	46	0	(39,882)	(961)	(40,797)
NET ASSETS, JULY 1, 2010	<u>6,780</u>	<u>10,004</u>	<u>130,558</u>	<u>3,248</u>	<u>150,590</u>
NET ASSETS, JUNE 30, 2011	<u><u>\$ 6,826</u></u>	<u><u>\$ 10,004</u></u>	<u><u>\$ 90,676</u></u>	<u><u>\$ 2,287</u></u>	<u><u>\$ 109,793</u></u>

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

The Town of Jericho, Vermont (the Town) is a unit of local government organized under the statutes of the State of Vermont. The Town is governed by a three-member Select Board and Town Administrator. The Town provides various services as authorized and funded by State government or Town voters.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity are set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

Based on this criteria, the Town has no component units.

Basic Financial Statements – Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the Town's activities are classified as governmental activities.

In the government-wide Statement of Net Assets, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. The functions are also supported by general government revenue (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, operating and capital grants. Program revenue must be directly associated with the function (highway, public safety, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by governmental function) are normally covered by general revenue (property taxes, intergovernmental revenue, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, restricted fund balances, fund equity, revenue and expenditures. The various funds are reported by major fund within the financial statements.

The emphasis in fund financial statements is on the major funds. GASBs No. 34 and No. 37 set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category type or the governmental and enterprise combined) for the determination of major funds. The General Fund and Road Upgrade Fund are shown as major governmental funds. All other funds are nonmajor and are combined in a single column in each of the respective fund financial statements.

The Town reports on the following major governmental funds:

General Fund is the main operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Road Upgrade Fund is used to account for funds assigned toward upgrading roads.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Measurement Focus

The accounting and financial reporting applied to a fund is determined by its measurement focus. Government-wide statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net assets). Fund equity (i.e. net total assets) is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets. Operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

Basis of Accounting

Basis of accounting refers to the point at which revenue or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenue is recognized when transactions occur and expenses are recognized when liabilities are incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period. Property taxes and related revenues are considered available if collected within 60 days. All other revenue is considered available if collectible within six months. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, are recognized when due.

Cash and Cash Equivalents

The Town has defined cash and cash equivalents to include cash on hand and demand deposits.

Capital Assets

Infrastructure assets purchased or acquired with an original cost of \$25,000 and capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	15 – 30 years
Machinery and equipment	5 – 10 years
Infrastructure	15 – 40 years

GASB No. 34 requires the Town to report and depreciate new infrastructure assets effective with the beginning of fiscal year 2004 and is not required to report these assets retroactively. General infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

Compensated Absences

Government-Wide Financial Statements – All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements. Sick days are not accrued since they are not paid when the employee terminates employment.

Fund Financial Statements - Vested or accumulated vacation leave that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these amounts. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets represent the difference between assets and liabilities in the Statement of Net Assets. Net resources invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by Town legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

Fund Equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balances - Indicates the portion of fund equity that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted fund balances - Indicates the portion of fund equity that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation (e.g. federal and state grants, bondholders, trust and trustee accounts).

Committed fund balances - Indicates the portion of fund equity that is set aside for a specific purpose by the Selectboard. Formal action must be taken prior to the end of the fiscal year (e.g. capital projects, compensated absences). The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned fund balances - Indicates the portion of fund equity that is set aside with the intent to be used for a specific purpose by the Selectboard or official that has been given the authority to assign funds (e.g. encumbrances, subsequent budgets). Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balances - Indicates the portion of fund equity that has not been classified in the previous four categories. All funds in this category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The Selectboard establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as special incentives). Assigned fund balance is established by the Selectboard through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service or other purposes).

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid from restricted funds. When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied first to committed, then assigned, then unassigned.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activities

Interfund activities are reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenue and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund activities are treated as transfers. Transfers between funds are netted in the preparation of the government-wide financial statements.

Budgetary Accounting

The Town approves a budget for the General Fund at an annual Town Meeting and the tax rate is determined by the Selectboard based on the budget and Grand List. Formal budgetary accounting is employed as a management control device during the year for the General Fund.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – DEPOSITS

The Treasurer invests excess cash according to policies established by the Selectboard.

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a policy related to custodial credit risk. As of June 30, 2011, \$365,881 of the Town's bank balance of \$1,267,120 was exposed to custodial credit risk.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2011 were:

	Interfund Receivables	Interfund Payables
General Fund	\$ 0	\$ 86,673
Nonmajor Funds		
Preservation Fund	20,376	0
Reappraisal Fund	17,306	0
Stormwater Mitigation Fund	1,500	0
Sidewalk Fund	20,000	0
Equipment Fund	25,000	0
Open Space Fund	2,491	0
Total	<u>\$ 86,673</u>	<u>\$ 86,673</u>

The interfund receivable balances reflected above represent funds transferred from the General Fund to the various other funds. These transfers were authorized at the end of June but the money was not transferred until after the end of the fiscal year.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2011 are as follows:

Transfer to	Transfer from			Totals
	General Fund	Road Upgrade	Nonmajor Funds	
General Fund	\$ 0	\$ 46,820	\$ 33,080	\$ 79,900
Nonmajor Funds	86,673	0	0	86,673
Totals	<u>\$ 86,673</u>	<u>\$ 46,820</u>	<u>\$ 33,080</u>	<u>\$ 166,573</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. They are also used to account for unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and management decisions.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions/ Reclasses	Disposals	Depreciation	Balance June 30, 2011
Capital assets not depreciated					
Land	\$ 42,521	\$ 0	\$ 0	\$ 0	\$ 42,521
Construction in progress	663,914	(625,173)	0	0	38,741
Total capital assets not depreciated	<u>706,435</u>	<u>(625,173)</u>	<u>0</u>	<u>0</u>	<u>81,262</u>
Capital assets being depreciated					
Buildings and improvements	1,482,785	22,095	0	0	1,504,880
Vehicles and equipment	1,128,633	57,526	(27,046)	0	1,159,113
Infrastructure	2,979,218	1,372,513	0	0	4,351,731
Total capital assets depreciated	<u>5,590,636</u>	<u>1,452,134</u>	<u>(27,046)</u>	<u>0</u>	<u>7,015,724</u>
Less accumulated depreciation for:					
Buildings and improvements	(168,483)	0	0	(59,195)	(227,678)
Vehicles and equipment	(488,237)	0	12,172	(119,588)	(595,653)
Infrastructure	(364,094)	0	0	(145,058)	(509,152)
Total accumulated depreciation	<u>(1,020,814)</u>	<u>0</u>	<u>12,172</u>	<u>(323,841)</u>	<u>(1,332,483)</u>
Total capital assets, net	<u>\$ 5,276,257</u>	<u>\$ 826,961</u>	<u>\$ (14,874)</u>	<u>\$ (323,841)</u>	<u>\$ 5,764,503</u>

Depreciation expense of \$323,841 was charged to General Government (\$59,195) and Highways and streets (\$264,646).

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6 - LONG-TERM DEBT

Long-term debt at June 30, 2011 consists of the following:

	<u>Total</u>	<u>Due in one year</u>
Bond, Vermont Municipal Bond Bank, for Town Hall renovations, annual principal payment of \$60,000 beginning in 2010 plus interest adjusted annually between 1.9% and 4.65%, due December 1, 2029.	\$ 1,080,000	\$ 60,000
Lease payable - Kansas State Bank, for highway truck, annual payments of \$31,713 principal and interest, due October, 2013.	85,734	27,100
Lease payable - Kansas State Bank, for two highway trucks, annual payments of \$53,696 principal and interest, due October, 2012.	<u>100,341</u>	<u>49,000</u>
Total long-term bonds and notes payable	1,266,075	136,100
Accrued compensated absences	<u>20,803</u>	<u>0</u>
Total long-term debt	<u><u>\$ 1,286,878</u></u>	<u><u>\$ 136,100</u></u>

Changes in long-term debt were as follows:

Balance, July 1, 2010	\$ 1,423,229
Lease and bond payments	(132,558)
Decrease in compensated absences	<u>(3,793)</u>
Balance, June 30, 2011	<u><u>\$ 1,286,878</u></u>

The long-term bond and note debt is due to mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2012	\$ 136,100	\$ 52,000	\$ 188,100
June 30, 2013	139,900	46,400	186,300
June 30, 2014	90,075	40,500	130,575
June 30, 2015	60,000	36,800	96,800
June 30, 2016	60,000	34,600	94,600
June 30, 2017-2021	300,000	138,300	438,300
June 30, 2022-2026	300,000	75,000	375,000
June 30, 2027-2029	<u>180,000</u>	<u>12,500</u>	<u>192,500</u>
	<u><u>\$1,266,075</u></u>	<u><u>\$ 436,100</u></u>	<u><u>\$1,702,175</u></u>

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 – ASSIGNED AND RESTRICTED FUND BALANCES AND NET ASSETS

Fund balances and net assets are assigned and restricted as follows:

	Fund Balance		Net Assets
	Assigned	Restricted	Restricted
Major Funds			
Road Upgrade Fund	\$ 203,476	\$ 0	\$ 0
Nonmajor Funds			
Bentley Cemetery Fund	0	2,659	2,659
Maude Brown Fund	0	3,890	3,890
Stevens Trust Fund	0	16,121	16,121
Preservation Fund	0	107,639	107,639
Reappraisal Fund	0	117,269	117,269
Stormwater Mitigation Fund	0	17,262	17,262
Road Impact Fees Fund	0	44,557	44,557
Recreation Impact Fund	0	10,449	10,449
Sidewalk Fund	58,429	0	0
Equipment Fund	56,691	0	0
Bridge Replacement Fund	88,582	0	0
Open Space Fund	59,747	0	0
Total Nonmajor Funds	263,449	319,846	319,846
Total all funds	\$ 466,925	\$ 319,846	\$ 319,846

NOTE 8 - PROPERTY TAXES

The Town levies its property tax based upon the assessed value as of April 1, for all real property, with exemptions to qualifying veterans and excludes assessments on municipal, school and church properties. Appointed listers establish a Grand List of all property and the Selectboard sets the tax rate required to raise the tax revenue authorized by Town and School District voters and the Vermont Department of Education. The tax is payable in three installments due August 15, November 15, and March 15. For the first two payments, interest at 1% per month is charged for installments not paid. After the final installment is due, a penalty will be charged of 1% per day up to 8% total. The following shows the tax rates for fiscal year 2011:

	Residential	Non-residential
General Fund	\$ 0.4514	\$ 0.4514
State Education Tax	1.3464	1.4516
	<u>\$ 1.7978</u>	<u>\$ 1.9030</u>

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 - PENSION PLANS

All eligible employees of the Town are enrolled for coverage by the Vermont Municipal Employees' Retirement System (VMERS) immediately upon employment. VMERS has a defined benefit plan and a defined contribution plan that the Town participates in as follows:

Defined Benefit Plan

VMERS defined benefit plan is a cost sharing multiple-employer public employees' retirement system. Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The Town and the employees make required contributions to the System based upon a valuation report prepared by the System's actuary.

There are four levels of contributions and benefits in the System called Group A, Group B, Group C and Group D. The Town participates only in Group B. For Group B, employee contributions are 4.5% of gross pay and employer contributions are 5% of gross pay.

Of the Town's total payroll of \$593,754, \$331,216 was covered under the VMERS defined benefit plan. Total employer contributions to this plan were \$16,561 for fiscal year 2011, \$14,983 for fiscal year 2010 and \$11,933 for fiscal year 2009.

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

Defined Contribution Plan

The State of Vermont authorized VMERS to establish a new defined contribution (DC) plan available to members on July 1, 2000. The DC plan is a tax-sheltered money purchase plan under IRC 401(a). The plan includes a 5% employee contribution and a 5.125% employer contribution. 100% vesting occurs after one year of municipal service.

Of the Town's total payroll of \$593,754, \$109,370 was covered under the VMERS defined contribution plan. The total contributions to this plan by the employer were \$5,605 and by the employees were \$5,469.

NOTE 10 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Town landfill ceased operation in 1992. State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site for twenty years after closure and to report monitoring results to the State regulatory agency. Postclosure care expenses of \$4,600 and \$6,438 were recorded in the General Fund for the years ended June 30, 2011 and 2010 respectively. Future costs relating to postclosure care may be higher or lower due to inflation, changes in technology or changes in landfill laws and regulations.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

NOTE 12 – COMMITMENTS AND SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2011, the date which the financial statements were available for issue.

The Town has entered into a cooperative agreement with the State of Vermont Agency of Transportation in order to complete improvements along Vermont Route 15 in Jericho Corner, including: streetscape improvements, lighting, sidewalks and new crosswalks. The Town has agreed to take full responsibility for the development of the project and pay twenty percent of the total project costs eligible for federal participation. The Town has a fixed amount, \$637,500, of federal funds available for the project. In the years ended June 30, 2011 and 2010, the Town expended \$398,668 and \$363,858 respectively.

TOWN OF JERICHO, VERMONT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

SCHEDULE 1

	Special Revenue Funds						Capital Projects Funds						
	Bentley Cemetery Fund	Maude Brown Fund	Stevens Trust Fund	Preservation Fund	Reappraisal Fund	Stormwater Mitigation Fund	Road Impact Fees Fund	Recreation Impact Fund	Sidewalk Fund	Equipment Fund	Bridge Replacement Fund	Open Space Fund	Total
ASSETS													
Cash	\$ 2,659	\$ 3,890	\$16,121	\$ 87,263	\$ 99,963	\$15,762	\$ 44,557	\$ 10,449	\$38,429	\$31,691	\$ 88,582	\$ 57,256	\$ 496,622
Due from other funds	0	0	0	20,376	17,306	1,500	0	0	20,000	25,000	0	2,491	86,673
Total assets	<u>\$ 2,659</u>	<u>\$ 3,890</u>	<u>\$16,121</u>	<u>\$ 107,639</u>	<u>\$ 117,269</u>	<u>\$17,262</u>	<u>\$ 44,557</u>	<u>\$ 10,449</u>	<u>\$58,429</u>	<u>\$56,691</u>	<u>\$ 88,582</u>	<u>\$ 59,747</u>	<u>\$ 583,295</u>
LIABILITIES AND FUND BALANCES													
Fund balances:													
Restricted	\$ 2,659	\$ 3,890	\$16,121	\$ 107,639	\$ 117,269	\$17,262	\$ 44,557	\$ 10,449	\$ 0	\$ 0	\$ 0	\$ 0	\$ 319,846
Assigned	0	0	0	0	0	0	0	0	58,429	56,691	88,582	59,747	263,449
Total fund balances	<u>\$ 2,659</u>	<u>\$ 3,890</u>	<u>\$16,121</u>	<u>\$ 107,639</u>	<u>\$ 117,269</u>	<u>\$17,262</u>	<u>\$ 44,557</u>	<u>\$ 10,449</u>	<u>\$58,429</u>	<u>\$56,691</u>	<u>\$ 88,582</u>	<u>\$ 59,747</u>	<u>\$ 583,295</u>

TOWN OF JERICHO, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

SCHEDULE 2

	Special Revenue Funds						Capital Projects Funds						
	Bentley Cemetery Fund	Maude Brown Fund	Stevens Trust Fund	Preservation Fund	Reappraisal Fund	Stormwater Mitigation Fund	Road Impact Fund	Recreation Impact Fund	Sidewalk Fund	Equipment Replacement Fund	Bridge Fund	Open Space Fund	Total
Revenues													
Charges for services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,996	\$ 600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,596
Interest	27	20	82	515	614	102	271	68	177	236	416	423	2,951
Total revenues	27	20	82	515	614	102	5,267	668	177	236	416	423	8,547
Other financing sources (uses)													
Transfers in	0	0	0	20,376	17,306	1,500	0	0	20,000	25,000	0	2,491	86,673
Transfers out	0	0	0	0	0	0	0	0	0	(20,080)	0	(13,000)	(33,080)
Total other financing sources (uses)	0	0	0	20,376	17,306	1,500	0	0	20,000	4,920	0	(10,509)	53,593
Net changes in fund balances	27	20	82	20,891	17,920	1,602	5,267	668	20,177	5,156	416	(10,086)	62,140
Fund balances - July 1, 2010	2,632	3,870	16,039	86,748	99,349	15,660	39,290	9,781	38,252	51,535	88,166	69,833	521,155
Fund balances - June 30, 2011	\$ 2,659	\$ 3,890	\$16,121	\$ 107,639	\$ 117,269	\$17,262	\$ 44,557	\$ 10,449	\$58,429	\$ 56,691	\$ 88,582	\$ 59,747	\$583,295

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

December 14, 2011

Selectboard Members
Town of Jericho
Jericho, VT

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Jericho, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or

material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Town in a separate letter dated December 14, 2011.

This report is intended solely for the information and use of management, the Selectboard, others within the entity, legislative or regulatory body, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

FOTHERGILL SEGALE & VALLEY, CPAs
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